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FM AMEMBASSY KABUL  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 7432  
INFO RUCNAFG/AFGHANISTAN COLLECTIVE  
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RHMFIUU/DEPT OF ENERGY WASHINGTON DC  
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UNCLAS SECTION 01 OF 03 KABUL 001206

SIPDIS

DEPT FOR SCA/FO, SCA/RA, AND SCA/A  
DEPT PASS AID/ANE  
DEPT ALSO PASS OPIC AND TDA  
CENTCOM FOR CG CFC-A  
NSC FOR AHARRIMAN  
TREASURY PASS TO LMC DONALD, ABAUKOL, AND JCIORCIARI  
OSD FOR BRERZINZSKI  
COMMERCE FOR DEES

SENSITIVE  
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E.O. 12958 N/A  
TAGS: [ENGR](#) [EAID](#) [ECON](#) [ETRD](#) [KPWR](#) [PGOV](#) [AF](#)  
SUBJECT: Afghanistan Energy: Letter From Ministers of Finance and  
Economy Requesting Kabul Power Supply Assistance

Ref: A) Kabul 1033; B) Kabul 936/935;  
C) Kabul 692/317/274/162; D) 06 Kabul 5353/5194/4319 and previous

Sensitive But Unclassified

(U) This is an action request message -- see para 3.

1. (U) On April 4, Embassy received para 4 letter from Minister of Finance Dr. Anwar Ul-Haq Ahady and Minister of Economy Dr. Mohammad Jalil Shams regarding energy sector commitments the GOA is prepared to make. The Ahady/Shams letter is in response to the Ambassador's March 29 letter offering USG support in installing an additional 100 MW of electricity capacity in Kabul. Embassy will email copy to SCA/A.

2. (SBU) Per ref A and B, concerned Mission elements have been engaged with the donor community and the GOA in preparing a proposal to enhance the supply of power in Kabul. An important part of this proposal is USG conditionality -- a series of actions that we would like the GOA to take in the energy sector. The Ahady/Shams letter agrees fully to the U.S. policy and financial conditions, developed in conjunction with Washington. We are proceeding quickly on other steps that need to be taken, including technical assessment of the type of generators needed, the location of these generators, the capacity of the Kabul grid, and preparation of request for proposals. We have already identified existing or pipelined resources for the USG contribution to the proposal:

-- \$26 million of the \$76 million currently slated for the Kajaki transmission line. This amount is not needed at this time due to the security environment in northern Helmand and parts of Kandahar province. The \$26 million would be back-filled with a portion of the FY 2008 \$143 million base request.

-- \$18 million requested in the FY 2007 supplemental for "keeping

the lights on" in Kabul.

-- \$66 million requested in the FY 2007 supplemental for "strategic provincial roads," out of the total planning level of \$186 million. The \$66 million can be redirected because the extreme security conditions where three of the four roads are located -- northern Kandahar, northern Helmand and eastern Farah provinces -- do not allow work to begin.

13. (SBU) Action Request: Further to ref A, Embassy requests Washington agencies to commence Congressional consultations and notifications at the earliest. Embassy understands the awkwardness of notifying/consulting on reprogramming of funds in the FY 2007 supplemental because the measure has not yet been passed by Congress. We request, however, that a way be found around this because of the extreme time sensitivity of the issue. In Embassy's view the ability to use the \$18 million in FY 2007 supplemental "keeping the lights on" funding and the \$26 million in Kajakai resources should only require Congressional consultations since these funds were originally notified for the power sector. Reprogramming the \$66 million from provincial roads in the FY 2007 supplemental will require a Congressional notification. We should stress to Congress that:

- We are meeting a critical economic and political need and need to do so before the 2009 election;
- The capacity we propose to install will be needed in any event; there is no duplication or wastage of resources.
- We are insisting on major cost sharing and policy actions from the GOA as a condition of our assistance.

14. (U) Text of Ahady/Shams letter:

KABUL 00001206 002 OF 003

Islamic Republic of Afghanistan

April 4, 2007

Ronald E. Neumann  
Ambassador, United States Embassy  
Kabul, Afghanistan

Dear Excellency:

Thank you for your letter dated March 29, 2007. The Government of Afghanistan shares your concerns regarding provision of power to Kabul and appreciates the great support that the United States of America is ready to extend to address these challenges.

In response to your letter, we are pleased to confirm the following:

-- In the April 2, 2007 meeting of the Cabinet, the Government reconfirmed its decision to increase the power generating capacity of Kabul, received with gratitude the offer made by the United States, and instructed the relevant Ministries to take the appropriate actions.

-- The Cabinet also approved the commitment of 20 million USD as the Government of Afghanistan contribution towards the purchase costs of the 100 MW reciprocating engine generators.

-- The genset package can be decided after we receive the offers, depending on the delivery time and the technical and financial evaluation of the offers.

-- The Government of Afghanistan is committed to paying the fuel costs for the new generators. Regarding Operations and Maintenance, as you are aware, all turnkey offers include the supplier's commitment towards O&M for the short term. Beyond that time the Government will contract the O&M with either the supplier of the equipment or an internationally reputable O&M firm.

-- The Government of Afghanistan is committed to the corporatization of DABM, and it is progressing well. The corporatization procedures of state-owned enterprises, which will guide the DABM

corporatization process, were approved on March 19, 2007.

-- Outsourcing of the billing and collection process is underway.  
The bidding process will begin shortly.

Thank you again for the generous offer of the United States to support the provision of power to Kabul. We hope that the assurances included in the letter will facilitate approval of the funding by the U.S. Congress. If so, then we await the timely preparation of the bidding documents by the U.S. Embassy's technical experts.

Yours sincerely,

/s/  
Dr. Anwar Ul-Haq Ahady  
Minister of Finance

/s/  
Dr. Mohammad Jalil Shams  
Minister of Economy

KABUL 00001206 003 OF 003

cc: H.E. Mohamed Ismail Khan, Minister of Electricity and Water  
cc: Professor Ishaq Nadiri, Special Economic Advisor to the  
President

End Text.

NORLAND